

# IRS News Release

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## **IRS, Canada Revenue Agency Unravel Cross-Border Tax Scheme**

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WASHINGTON -- Officials of the Canada Revenue Agency and the United States Internal Revenue Service today announced significant progress in unraveling an abusive cross-border tax scheme. This effort stems from leads and information first developed by the Joint International Tax Shelter Information Centre (JITSIC).

The scheme involves hundreds of taxpayers and tens of millions of dollars in improper deductions and unreported income from retirement account withdrawals. U.S. and Canadian promoters have been marketing the scheme on both sides of the border to individual investors, ranging from middle to high-income individuals.

Leaders of the IRS and CRA said the collaborative effort reflects the progress being taken by JITSIC in the complex task of tracking international tax schemes and shelters involving individuals and corporations.

CRA Commissioner Michel Dorais said, "Tax administrations in many parts of the world are working together to detect and shut down abusive tax schemes. Promoters who believe they can play one country against another in developing tax schemes should beware."

"The real time exchange of information, including the identities of promoters and hundreds of investors has been critical to this investigation," said IRS Commissioner Mark W. Everson. "JITSIC is emerging as an important part of efforts to combat abusive schemes."

Under the scheme, investors purchased what appear to be high-yield offshore investments through offshore corporations and foreign bank accounts. Typically, investors make these purchases using cash or proceeds from withdrawals, allegedly tax free, of retirement funds (RRSPs in Canada, IRAs in the US). Investors also make purchases through using tax refunds improperly generated by alleged losses claimed for natural resource industry investments.

CRA and IRS agents continue to identify promoters, participants and entities involved in the scheme. Promoters and participants engaged in abusive schemes have routinely been subjected to strict enforcement action by both tax administrations.

JITSIC was established in 2004 by the tax administrations of four countries, Australia, Canada, the United Kingdom and the United States, to supplement the ongoing work of the Australian Taxation Office, Canada Revenue Agency, Her Majesty's Revenue and Customs, and the Internal Revenue Service in identifying and curbing abusive tax schemes. Delegates from each of the four countries work together in Washington, DC.